

Appendix 2

Internal Audit Report – 11/01  
Procurement

**FINAL**

**INTERNAL AUDIT REPORT**

**PROCUREMENT**



**Internal Audit Report: 2011 /01**

**Date September, 2011**

**Author: Anne Flynn, Senior Staff Officer, Internal Audit.**

**Signed:** \_\_\_\_\_

<b>Contents</b>	<b>Page No</b>
<b>Circulation List</b>	<b>3</b>
<b>Management Summary</b>	<b>4</b>
<b>Summary of Recommendations</b>	<b>4 - 5</b>
<b>Introduction</b>	<b>6</b>
<b>Audit Objectives</b>	<b>6</b>
<b>Scope of the audit</b>	<b>6</b>
<b>Methodology</b>	<b>6</b>
<b>Acknowledgement</b>	<b>6</b>
<b>Background</b>	<b>7 -8</b>
<b>Findings/Recommendations/ Management Response to Recommendations</b>	<b>8 – 10</b>
<b>Management Response to Report</b>	<b>10 - 17</b>
<b>Appendix 1</b>	<b>18</b>
<b>Appendix 2</b>	<b>19</b>
<b>Appendix 3</b>	<b>20 - 22</b>
<b>Appendix 4</b>	

**Circulation List:**

**Mr. M. Walsh,**

**City Manager.**

**Mr. Fergus Galvin,**

**Director of Services,  
Corporate Affairs &  
Transportation & HR.**

**Mr. John Murphy,**

**Head of Finance.**

**Mr. L. Power,**

**Director of Services,  
Housing, Community &  
Enterprise & Culture.**

**Ms. Colette Byrne,**

**Director of Services,  
Environmental Services  
& Planning.**

**Mr. Billy Duggan,**

**Senior Executive Officer,  
Corporate Affairs.**

**Mr. J. Moran,**

**Local Government  
Auditor.**

**Audit Committee**

## **Management Summary**

Waterford City Council's overall non payroll spend in 2010 was €82,780,171.94.

Accordingly it is very important that Waterford City Council complies with the relevant EU procurement Directives and the relevant procurement guidance issued by the Department of Finance. Compliance with these rules is vitally important to ensure fairness, accountability and to encourage competition.

A significant number of instances of non compliance with proper public procurement procedures were noted at audit.

The management of the public procurement function needs to be significantly improved.

There is a need for training to develop capabilities and competencies among employees involved in the procurement process.

A value for money culture should be promoted. Better value for money can be achieved by encouraging all suppliers to participate in the tendering process.

The Council should consider the merits and logistics of moving to a centralised procurement unit.

A summary of my recommendations are set out below.

### **Summary of Recommendations:**

No	Recommendation	Management Response	Implementation Date
<b>R1</b>	The Council should ensure that it complies with proper public procurement procedures and obtains better value for money. The Council's purchasing procedure for goods and services should also be complied with.	Council has signed up to LA Quotes and has availed of the tendering processes of the National Procurement Services in a number of areas.	Ongoing

No	Recommendation	Management Response	Implementation Date
<b>R2</b>	<p>The operation arrangements in each section should be reviewed and procedures should be put in place to ensure compliance with all relevant public procurement guidelines.</p> <p>The Council should ensure that staff involved in purchasing or placing contracts are familiar with national and EU rules on conducting an appropriate competitive process. Training to develop capabilities and competencies among employees should be provided.</p> <p>The Council should consider the merits and logistics of moving to a centralised procurement unit.</p>	<p>The City Manager has set up a cross directorate group to review procurement procedures throughout the organisation. As a result of this review there will be a more coordinated approach to procurement vis a vis documentation etc.</p> <p>Training, both national and local, to be organised on an ongoing basis.</p> <p>Departmental approach, as above, to procurement is currently being pursued. Aim is to build up a knowledge base across the organisation.</p>	June 2011
<b>R3</b>	<p>The revised procurement plan should be communicated to all employees. It is vital that all staff involved in the procurement process within the organisation be familiar with the contents of this document.</p>	<p>New procurement plan being prepared</p>	July 2011
<b>R4</b>	<p>The role of the Procurement Officer and the designation of a staff member in each Directorate to have responsibility for procurement should be addressed.</p>	<p>See recommendation 2 above.</p>	

## **Introduction:**

As per the Internal Audit Plan 2011 a review has been carried out by Internal Audit of procurement practice and procedures. This report presents the findings and recommendations for your attention.

## **Audit Objectives:**

The objective of this review was to ensure that Waterford City Council is complying with proper public procurement procedures and is obtaining value for money.

## **Scope of the Audit:**

The following was reviewed:

Waterford City Council's procurement practice and procedures for cumulative payments to suppliers **above €50,000** and up to the value of EU thresholds for advertising in Official Journal of the EU i.e. **€193,000**.

These payments accounted for a procurement spend of **€7,450,780.40** for the period reviewed i.e. from 1<sup>st</sup> January 2010 to 31st December 2010.

Documents examined during Audit did not include the tenders of all contractors received by City Council as a result of publication of a tender notice.

The procedure for receipt and opening of tenders was not examined.

## **Methodology:**

The payment details of suppliers who received cumulative payments in excess of **€50,000** and up to **€193,000** were extracted from Agresso. All payments are attached to an expenditure code and the budget holders were sent the relevant supplier payment details with a request for evidence of procurement.

Evidence of procurement presented at audit was examined to ensure the process complied with proper public procurement procedures.

## **Acknowledgement:**

I wish to thank everyone consulted during the course of the audit for their co-operation and assistance.

## **Background:**

*‘Public Procurement can be defined as the acquisition, whether under formal contract or not, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies or services to formal tendering and placing contracts for large infrastructural projects by a wide and diverse range of contracting authorities.’ (1)*

It is a basic principle of public procurement that a competitive process should be used unless there are justifiably exceptional circumstances.

Contracts above €50,000 and up to the value of EU thresholds for advertising in OJEU (See Appendix 1) should normally be advertised as part of a formal tendering process.

Appendix 2 sets out the steps in conducting a Competitive Process for contracts below EU thresholds. (2)

Alternatively, a process of direct invitation to tender may be used. This is permitted where there is clearly only a limited number of firms available that would be capable of carrying out the contract or invitation to tender to firms on a list is permitted provided the list is established on an open and objective basis. The restricted tendering procedure only applies to contracts exceeding €125,000 for supplies and general services and €250,000 for works and related services.

The public procurement website [www.etenders.gov.ie](http://www.etenders.gov.ie) (*etenders*) has been developed by the Department of Finance and is available to both contracting authorities and suppliers. It increases transparency and greatly facilitates access to public sector contracts.

The *Public Procurement Guidelines – Competitive Process* required contracting authorities to advertise supplies and service contracts above €50,000 on the website. From August 2010, to facilitate the participation of small and medium enterprise, contracting authorities are required to advertise contracts for supplies and services above €25,000 on the website.

Waterford City Council is participating in the LAQuotes system which was developed by Kerry County Council. The system collates a list of interested and qualified parties for the supply of various goods and services. There are 33 local authorities participating in LA Quotes for 2011. The LAQuotes system is a quotation tool. Participating authorities must still adhere to the appropriate national and EU procurement rules and procedures when sourcing goods and services from prospective suppliers.

(1) & (2) *Public Procurement Guidelines – Competitive Process*

The National Public Procurement Policy Unit, established in the Department of Finance in 2002 to develop public sector procurement policy and practice, requires public bodies to develop Corporate Procurement Plans. The stated objective of Waterford City Council's Corporate Procurement Plan 2007 – 2009 is 'To ensure that the Organisation's procurement function operates in accordance with best practice as outlined in the NPPP Framework and supports effective value for money purchasing while ensuring transparency and accountability' The Corporate Procurement Plan is currently under review.

See Appendix 3 for Waterford City Council's Order Approval Limits and Purchase Procedures for Goods & Services

The National Procurement Service has been tasked with centralising public sector procurement arrangements for common goods and services. One of their primary tasks is to put in place contracts for commonly sourced goods and services. All contracting authorities are strongly encouraged to engage fully with the NPS in its various initiatives to improve the public procurement function across the public sector. The NPS has contracts in place for Supply of Leaflets and Posters, Office Stationery, Advertising & Protective Clothing.

The new EU public procurement Remedies Directive 2007/66/EC, implemented into Irish law by SI No. 130 of 2010, aims to improve the effectiveness of review procedures concerning the award of public contracts. It strengthens the rights of bidders in challenging award decisions and introduces measures to combat contracts awarded in breach of the public procurement rules.

## **Findings & Recommendations**

**F1.** A total spend of **€4,861,615.25** was examined. This comprised cumulative payments in excess of **€50,000** and up to **€193,000** to **51** suppliers in **2010**.

In the case of contracts totalling **€590,036.04** proper public procurement procedures were complied with.

The remaining **€4,271,579.21** spend [REDACTED] on various contracts did not comply fully with proper public procurement procedures (*See Appendix 4 page 2 of 2*).

Approximately 25% of the €4.3m relates to the Waterford Crystal Factory & Visitor Centre where time constraints were an issue.

Of this **€4,271,579.21** spend the following was noted:

- Contracts to the value of **€1,782,954.01** (*See Appendix 4 page 2 of 2*) were awarded without a procurement process. The reason why a competitive arrangement was not considered suitable was given in some instances.



- Contracts for hire of plant and machinery **€298,331.21** (*See Appendix 4 page 2 of 2*) were awarded at rates quoted in Annual Contracts 2009.
- **€788,328.66** (*See Appendix 4 page 2 of 2*) was awarded for contracts on the basis of quotations without advertising.
- Housing Maintenance Contracts **€509,809.04** (*See Appendix 4 page 2 of 2*) were awarded on the basis of tenders received from Contractors who were selected from a list to receive tender documents. This list of Contractors was not established on an open and objective basis.
- A contract for **€69,214.43** (*See Appendix 4 page 2 of 2*) was awarded having been advertised only in the local press.
- No evidence of procurement was presented at Audit for contracts awarded to a total value of **€822,941.86** (*See Appendix 4 page 2 of 2*)

**It was noted at audit that payments to the value of €19,425,831 were made to these 51 suppliers during the period 2007 to 2010.**

- R1.** The Council should ensure that it complies with proper public procurement procedures and obtains better value for money. The Council's purchasing procedure for goods and services should also be complied with.

**Management Response:**

**Council has signed up to LA Quotes and has availed of the tendering processes of the National Procurement Services in a number of areas.**

- F2.** Procurement within the Council is heavily decentralised. At Audit, it appeared that each Section operates independently of each other.
- R2.** The operation arrangements in each section should be reviewed and procedures should be put in place to ensure compliance with all relevant public procurement guidelines.

The Council should ensure that staff involved in purchasing or placing contracts are familiar with national and EU rules on conducting an appropriate competitive process. Training to develop capabilities and competencies among employees should be provided.

The Council should consider the merits and logistics of moving to a centralised procurement unit.

**Management Response:**

**The City Manager has set up a cross directorate group to review procurement procedures throughout the organisation. As a result of this review there will be a more coordinated approach to procurement via a Vis documentation etc.**

**Training, both national and local, to be organised on an ongoing basis.**

**Departmental approach, as above, to procurement is currently being pursued. Aim is to build up a knowledge base across the organisation.**

- F3.** A review of Waterford City Council's Procurement Plan is currently being undertaken.
- R3.** The revised procurement plan should be communicated to all employees. It is vital that all staff involved in the procurement process within the organisation be familiar with the contents of this document.

**Management Response:**

**New procurement plan being prepared**

**F4.**

Each Directorate also has a designated staff member with responsibility for procurement. However there was no evidence of this at Audit.

- R4.** The role of the Procurement Officer and the designation of a staff member in each Directorate to have responsibility for procurement should be addressed.

**Management Response:**

**See recommendation 2 above.**

**Management Response to Report.**

**Director of Services, Environmental Services & Planning.**

€764,454 (*See Appendix 4 page 1 of 2*) of the €1,782,954 (*See Appendix 4 page 2 of 2*) refers to Env and Planning Directorate, €540,000 of which refers to the development of the Crystal Centre. Time constraints resulted in a fee being negotiated with the design team and the agreed fee represented value for money for the work involved. The remaining elements relate to upgrading and installation of equipment purchased from the Receiver. Given the specialised nature of the work we were limited in choice and in some instances the original manufacturers or suppliers were the only option. The work required to be done to each machine was specified by an Engineer with expertise/experience in

glass manufacturing and payment was made on certification of completion and equipment being operational. The alternative would have been to purchase new equipment.

€221,768 (*See Appendix 4 page 1 of 2*) is for the hire of plant and equipment and is based on rates quoted in Annual Contracts 2009. This is now being tendered.

€573,083 (*See Appendix 4 page 1 of 1*) of the €788,328 (*See Appendix 4 page 2 of 2*) relates to this Dept and €540,000 of same relates to the Crystal project and the explanation above holds.

The Crystal Project was a one off project with very unique time pressures and specialist expertise which is limited in availability. Whilst acknowledged that the full rigours of the procurement rules were not adhered to the principle of obtaining value for money was of utmost importance and competition was introduced where at all possible.

**Internal Audit Comment**

**€1,301,768 of the €1,594,255 attributable to Environmental Services & Planning Directorate is dealt with above. (*See Appendix 4 page 1 of 2*)**

**Senior Executive Officer, Corporate Affairs.**

I refer to the draft report and wish to make following observations.

Some of the issues associated with current procurement come from the closure of the stores which would have had a procurement system in place whereby annual tenders were sought for, road making materials, housing maintenance materials, plumbing items, etc. The closure has led to supervisors managing procurement to a level where previously they had only to go to stores to get their required item, the introduction of L A Quotes earlier this year will be an assistance in this regard.

Energy provision either [REDACTED] or [REDACTED] was part of a procurement process between ourselves and the county for the last few years.

Security currently advertised on etenders. Stationary tender will be in place shortly.

Under our last procurement plan 3 quotations were acceptable as a format to ensure value was obtained this needs to be reviewed.

The IA Report notes that €509,809 (*See Appendix 4 page 2 of 2*) was awarded on the basis of tenders received from contractors and not advertised. However as the housing mtce staff had a database of contractors capable of doing the work and sought prices from them, I feel that this at the time was a suitable way of achieving value and if it was

advertised it is possible that prices would not have been any better. L A quotes and the NPS are both moving to this form of price seeking by prequalifying companies / contractors in advance and then asking them to quote for works when required, they frequently refer to drawing up framework so that a pool will be available for various works.

Procurement is a very complex process. The City Council's objective at all times is to accept the most economically advantageous tender or quotation in order to achieve best value. Best practice and guidelines are in the main followed. However, it is, on occasions, in the best interests of the City Council to procure on the basis of experience in specific areas and availability of the consultant or contractor as well as local and regional knowledge. Our procurement processes are continually being assessed with a view to obtaining best value. Suppliers both local and others are encouraged to participate in the various tendering procedures.

#### **Internal Audit Comment**

The payments to [REDACTED] and [REDACTED] examined at Audit relate to Public Lighting.

In relation to Housing Maintenance Contracts Internal Audit reported that the list of Contractors was not established on an open and objective basis.

The following paragraph from the *Public Procurement Guidelines* refers:

*“Direct Invitation (without advertising)*

5.3 *Alternatively, a process of direct invitation to tender<sup>1</sup> may be used. This may involve*

- *invitation to firms deemed appropriately qualified for a particular project (this may be appropriate for specialised requirements in markets where there is a limited number of suppliers or service providers)*

*or*

- *invitation to tender to firms on a list established on an open and objective basis (normally used by contracting authorities which have a frequent or recurring requirement for supplies or services or those wishing to maintain a well organised ongoing procurement system).”*

#### **Head of Finance.**

The €72,642 (*See Appendix 4 page 2 of 2*) refers to I.T. comprising

- (1) Maintenance Contract €25k – negotiated annually, specialist company familiar with network, good value, includes upgrade of network. When upgrade complete will go to tender in 2012.

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<sup>1</sup> Often referred to as selective or restricted tendering

- (2) Virtual Desktop Infrastructure [REDACTED] for Library €32k – They installed original. 60% refers to [REDACTED] equipment, full Government discount applies as they are licensed distributor.

**Director of Services, Corporate Affairs, Transportation & HR**

*(See Appendix 4 page 1 of 2)*

Response to queries raised in respect of Corporate & Transportation Directorate

- 1) [REDACTED] Consulting – this payment is in respect of contract design and supervision work undertaken in respect of the Knockboy junction realignment contract. [REDACTED] were originally appointed to provide consultancy services in respect of the Williamstown Road. Their original contract was extended, by negotiation, to include the Knockboy Junction which was in effect an extension or phase 2 of the Williamstown Road scheme.
- 2) [REDACTED] – the payments of €153,225 in November 2010 were in respect of road pavement repair and resurfacing works on the R711, R448 and R680 regional roads. This project was publicly tendered through the e-tenders system on July 22<sup>nd</sup> 2010 and following receipt of tenders and evaluation, [REDACTED] was appointed to undertake the works – a copy of the e-tenders notice is attached and the procurement documentation is available for inspection in the Roads (Operations) Section
- 3) [REDACTED] – I cannot identify any individual payment or combination of payments that would match the €104396 figure in the IA report but all of the payments to the [REDACTED] were in respect of either electricity supply for public lighting or repairs and maintenance to the Public Lighting network. Going back in time the [REDACTED] were the sole regulated suppliers of both supply and network maintenance and there were no procurement options. With the gradual regulation of the electricity market in recent years the Council has tendered for the supply of current and is currently engaged in a tender process (on a regional basis) for the public lighting maintenance contract.
- 4) [REDACTED] – up to 2009 this contract was awarded annually following public advertisement in local papers. In 2010 this was changed over to the e-tenders system
- 5) [REDACTED] – the payments here are in respect of the maintenance of the Pay & Display system which the Council introduced in 2007. The original tender for the System which was published on e-tenders on 30<sup>th</sup> May 2007 included for the supply, installation and maintenance of the on-street pay and display machines (copy notice attached). Following the tender and evaluation process [REDACTED] were appointed to supply, install and maintain the system which included a maintenance contract. The procurement documentation is available for inspection in the Traffic Management Section
- 6) [REDACTED] – these payments relate to consultancy work undertaken by [REDACTED] in respect of the design and supervision of the Green Routes. [REDACTED] were originally appointed to this job following a public procurement process which commenced in January 2005. A copy

of the e-tenders notice is attached and full details of the subsequent appointment are available from this office

7) [REDACTED] - these payments were in respect of digger hire for the roads section and the rates were based on the 2009 Plant and Machinery Hire Annual Contract List. There was no Annual Contract List prepared in respect of 2010 and for 2011 a separate public procurement process was undertaken in respect of this type of machinery hire.

8) [REDACTED] – under the Roads revenue account, the Council paid €21,641 to [REDACTED] on 9 different invoices ranging from €340 up during the course of the year. With the exception of approx. €850 worth of payments, all of these related to the Bypass non-contract signage i.e. alterations to internal road signage in the City to account for the new Bypass. [REDACTED] had been appointed by the NRA (following a national procurement competition) to undertake the main Bypass signage contract and on foot of this, the Council paid [REDACTED] directly in respect of signage within the City that was directly related to the Bypass and recouped from the NRA.

9) [REDACTED] – as I understand it, [REDACTED] were originally employed through the Flood Relief Scheme in relation to the Tramore Road and we were not involved in their procurement. This matter may be addressed through the Water Dept.

10) [REDACTED] Developments – the amount of €53,778 represents 35 separate payments to [REDACTED] over a 12 month period and by 4 different departments within the Council – for example the largest amount paid €7,265 was in respect of Tall Ships signage. In respect of roads the invoices are primarily in respect of relatively small amounts for occasional road signs supply during the year. The normal practise is that the traffic engineer would ring a number of suppliers for a ‘best price’ before proceeding with an order. Given the sporadic and unplanned nature of this work it is not possible to ‘bundle’ it into a single annual contract that could be procured. However for 2011 the Council will be utilise the LA Quotes system for procurement of such items

11) [REDACTED] – payment in respect of the internal structures of Rice Bridge. This contract was not publicly advertised through e-tenders or other media. The procurement was in this case done through restricted direct invitation to a number of specialist contractors known to have the required competency and qualifications to undertake the work. The procurement documentation is available for inspection in the Roads (Operations) Section

12) [REDACTED] – the amount here represents 18 separate payments to [REDACTED] over a 12 month period. As is the case with [REDACTED] above, the invoices are primarily in respect of relatively small amounts for occasional road lining during the year. The normal practise is that the traffic engineer would ring a number of suppliers for a ‘best price’ before proceeding with an order. For 2011 the Council will be utilise the LA Quotes system for procurement of this service.

13) [REDACTED] – these payments were in respect of public lighting maintenance. In preparation for the de-regulation of the market [REDACTED] novated its maintenance contract with the Council to [REDACTED] pending the procurement of a new supplier for this service. A public lighting maintenance contract for the SE Region was tendered early this year and a new provider will be appointed by November.

### Internal Audit Comment

1. [REDACTED] Ltd – Job C2230450 Knockboy Junction - No evidence of procurement on file presented at Audit.
2. [REDACTED] Ltd – Job C2230458 Repair Works to Former NP Roads & Rice Br – No evidence of procurement presented at Audit.
3. [REDACTED] – Public Lighting & Public Lighting Refurbishment – Comment noted.
4. [REDACTED] Ltd - R6486472 Festive Lighting – The contract to [REDACTED] referred to in report was awarded having been advertised locally only.
5. [REDACTED] Ltd R2312321 Traffic Fine Management – No evidence of procurement on file presented at Audit.
6. [REDACTED] - C2230445 Provision of High Speed Public Transport Corridors –examination of file suggested that proper public procurement procedures were not complied with.
9. [REDACTED] - C2230455 Tramore Road Improvement Scheme - No evidence of procurement presented at Audit. Comment noted.
11. [REDACTED] - No evidence of procurement presented at Audit
13. [REDACTED] - R2162190 Public Lighting – Comment noted.

### Senior Executive Officer, Housing

A total spend of €1,114,706 (*See Appendix 4 page 1 of 2*) was examined. This comprised of cumulative payments in excess of €50,000 and up to €193,000 to 12 suppliers in 2010. In the list of 12 suppliers, 4 suppliers are outside the remit which equates to €250,555 this leaves a balance of €864,151 which shall be addressed below.

The total of monies identified below were paid out to individual contractors for a number of small works contracts which they would have tendered for between a number of contractors. Each individual contract was well under the limit of €50,000 threshold which requires National Advertising. A procurement procedure was in place and in compliance with EU and National Guidelines for works contracts under €50,000 and are listed below.

○ [REDACTED] Contractors	€128,600.33
○ [REDACTED] Contractors	€ 99,678.43
○ [REDACTED] Building Contractor	€110,776.84
○ [REDACTED] Building Contractors	€119,592.14
<b>Total</b>	<b>€458,647.74</b>

The remaining €405,503.26 spend (i.e. 47%) on various contracts did not comply with proper procurement procedures. This €405,503.26 is addressed below.

████████████████████ - €104,599 (*See Appendix 4 page 1 of 2*)

**Clonard Park & Ardmore Park** - ██████ had officially expressed an interest in the proposed infill housing and refurbishment to existing houses in Clonard Park in April 2000 and were subsequently appointed in May 2000 as consultants for the works. Their fee was based on the SCS Conditions for Engagement less a discount of 7.5% which was a standard fee agreement that would have been in place with other similar consultants. They worked on subsequent phases of Clonard Park and on Ardmore Park as the scope and terms of reference were the same for all the houses and it was more cost effective than engaging a new set of consultants to redraft all documents when the template was already there. The same process was adopted for Lisduggan and Larchville on subsequent schemes. As there was a substantial funding allowance from Dept from 2000 to 2008, it was in the interest of the Council to get these projects rolled out as a matter of urgency and as bills of quantities etc were already prepared and knowledge gained from the pilot scheme, it made sense to retain the existing consultants for the subsequent schemes in adjacent areas.

A brief timeline of construction works are as follows:

- Pilot Phase of the Regeneration Scheme of Clonard Park (Phase 1) 2001-2002
- Clonard Park Infill 2002-2004
- Phase 2 of the Clonard Park Regeneration Scheme 2004-2005
- Phase 3 of the Clonard Park Regeneration Scheme 2006
- Ardmore Park Phase 1A 2006-2008
- Ardmore Park Phase 1B 2007-2009
- Ardmore Park Phase 2A 2007-2008
- Ardmore Park Phase 2B 2008-2009
- Conciliation of Phase 2 Clonard Park Regeneration Scheme 2008-2010
- Ardmore Park Phase 3 2008-2009
- Clonard Park Phase 4 started briefly in 2008, however the contractor went into liquidation and subsequently the works were retendered resulting in a new contractor starting on site in 2009 which is continuing to date.

**Larchville** - WCC requested quotes for the provision of PSDP services for Larchville Phase 1B. A number of quotes were received in March 2009 and upon review ██████ were the lowest tender and were subsequently appointed as PSDP. Quotes were received from the following companies:

████████████████████  
████████████████████  
████████████████████  
████████████████████



**[REDACTED] Contractors - €122,394**

*(See Appendix 4 page 1 of 2)*

In late 2009 the maintenance department sought three quotes for the boiler repairs of the housing stock. [REDACTED] Contractors were the successful tenderer at this time. [REDACTED] also submitted prices.

We are currently involved in developing our procurement strategy and hope to have a framework set up over the coming months.

**[REDACTED] - €61,761**

*(See Appendix 4 page 1 of 2)*

With regard to [REDACTED], while originally no tender would have been carried out for this work, these callouts were relevant to electrical emergency works and could not have been delayed due to the nature of the faults as they could have potentially been a Health & Safety issue. However tenders for electrical repairs and callouts are now complete for the interim with a view to completing a full framework agreement in the next number of months.

**[REDACTED] Security - €65,589**

*(See Appendix 4 page 1 of 2)*

No procurement process has been engaged in for [REDACTED] in the last three years other than that for Traveller security. We have been advised that a process was engaged in some 7 years ago, however, documentary evidence is not available. The majority of the €65,589 is associated with C1175001 and is currently being recouped through the bond on the project.

A full review of procurement associated with the provision of security services is currently underway and will form part of the new procurement program being developed.

**Internal Audit Comment**

**Housing Maintenance Contracts reviewed totalled €509,809.04.**

**See also Internal Audit's comment in relation to Housing Maintenance Contracts on page 12 of report.**

**€864,151 of the €1,114,705 attributable to Housing, Community & Enterprise & Culture Directorate is dealt with above. *(See Appendix 4 page 1 of 2)***

## APPENDIX 1

**Thresholds (exclusive of VAT) above which advertising of contracts in the Official Journal of the EU is obligatory, applicable from 1 January 2010 to 31 December 2011<sup>1</sup>:**

The main advertising thresholds with effect from 1 January 2010 to 31 December 2011 are as follows:

### **Works**

Contract Notice €4,845,000

Threshold applies to Government Departments and Offices, Local and Regional Authorities and other public bodies.

### **Supplies and Services**

Contract Notice €125,000

Threshold applies to Government Departments and Offices

Contract Notice €193,000

Threshold applies to Local and Regional Authorities and public bodies outside the Utilities sector.

### **Utilities**

Works Contracts / Prior Indicative Notice €4,845,000

For entities in Utilities sectors covered by GPA

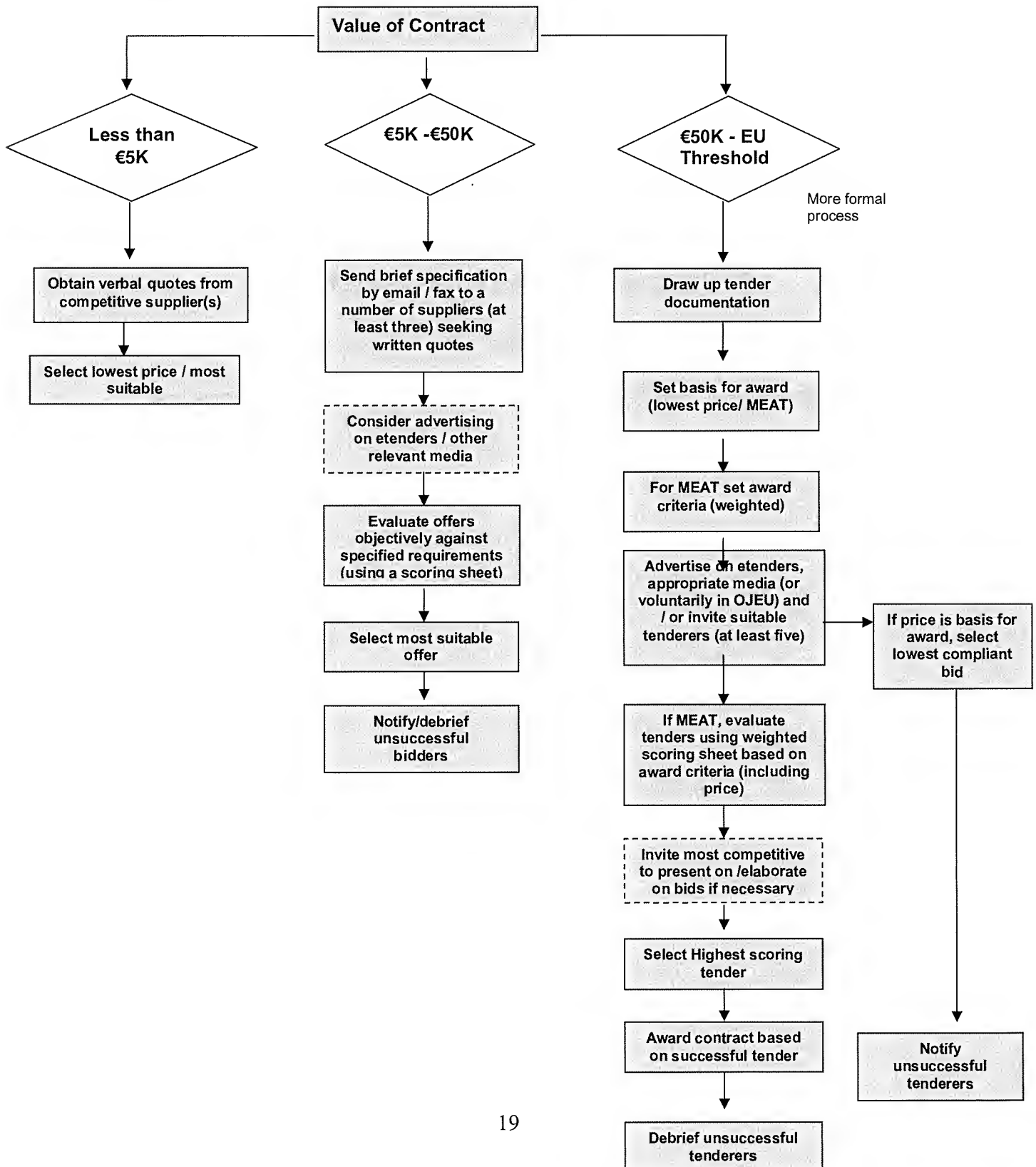
Supplies and Services € 387,000

For entities in Utilities sectors covered by GPA

<sup>1</sup> Thresholds are revised every two years. Full and up to date thresholds can be checked on the EU public procurement website <http://www.simap.europa.eu/>.

## APPENDIX 2

**Diagram 1.** Steps in conducting a Competitive Process for contracts below EU Thresholds



## **APPENDIX 3**

**Schedule to Managers Order dated      October 2006**

**WATERFORD CORPORATION**

**PURCHASE ORDER APPROVAL LIMITS**

**AND**

**PURCHASING PROCEDURES FOR GOODS AND SERVICES**

Effective Date: 1<sup>st</sup> January, 2002

## ORDER APPROVAL LIMITS

The following limits PER PURCHASE ORDER, will apply, to the approval of orders on the Agresso Purchase Order Processing system. Approval of purchase orders is limited, to the Cost centres for which an officer/employee of the grades set out below, has a certifying role.

Senior Housing Maintenance Supervisor	€1,300
Assistant Staff Officer – Community & Enterprise Section only	€1,300
Staff Officer/Assistant Librarian/Assistant Engineer	€3,900
Senior Staff Officer/Executive Engineer/Cognate	€13,000
Administrative Officer/ Snr. Executive Engineer/Cognate	€26,000
Administrative Officer- Estate Dept (Property Purchase only) (as recommended by Director of Services Housing & Corporate Affairs	€250,000
Senior Executive Officers/Head of IT/Financial-Management Accountant/ City Librarian/Senior Engineer/Cognate	€130,000

**Orders above this level must be approved by the appropriate Director of Services, or by his/her authorised appointee.**

**Approvals are subject to compliance with the following purchasing procedures.**

## PURCHASING PROCEDURE FOR GOOD AND SERVICES

Purchases must be made, only where provision has been made for the Expenditure in the Estimate of Expenses or Capital Works Program for the year in which the purchase is required.

1. **Routine Goods and Services for which annual tenders have been accepted,** may be purchased from approved suppliers in accordance with tendered prices on approval by responsible officer within the authorised order approval limits.
2. **Routine Goods or Services up to €2,600 not tendered for,** may be purchased without written quotation, on approval of responsible officer within the authorised approval limits.

3. **Routine Goods or Services between €2,600 and €26,000**, written quotations must be obtained from three suppliers and acceptance shall be approved by responsible officer within the authorised order approval limits provided that: **The lowest quotation is being accepted.** Otherwise approval of Director of Services/Head of Finance, or Senior Executive Officer/Head of IT/Financial-Management Accountant/Senior Engineer/Cognate, as appropriate is required.
4. **Goods and Services over €26,000.** Three written quotations to be obtained or tenders invited as appropriate and acceptance shall be approved by Managers Order.

## GENERAL PROVISIONS

In the case of all above categories where approval is required, recommendations for acceptance should clearly specify expenditure code and/or funding source.

Except in emergency situations, Purchase Orders must be raised **in advance** of an order being placed for goods or services.

Purchases must comply with EU Procurement Directives, where applicable.

Any business providing goods or services to the Corporation the aggregate value of which will exceed €6,500 per annum is required to have a current Tax Clearance Certificate. The Tax Clearance Certificate must be submitted for inspection prior to the placing of an order for goods or services.

It is the responsibility of the person raising the order to ensure compliance with the proper procedures and that the transaction has been completed correctly.

All goods are to be examined on receipt to ensure that they are in order and delivery docket should not be signed until goods are checked for:

- (a) **Quality**
- (b) **Quantity**
- (c) **As ordered on Official Order**

The Value for Money principles should be applied to all purchases.

Where possible consideration should be given to the acquisition of environmentally friendly goods or services.

Drafts of all advertisements must be submitted for approval of City Manager or delegated Officer, prior to placing of order for publication.

Prior approval of the City Manager will be required for any departure from the procedures outlined above.







# APPENDIX 4

CUMULATIVE PAYMENTS IN EXCESS OF €50,000 AND UP TO €193,000 TO SUPPLIERS IN 2010 WHERE PROPER PUBLIC PROCUREMENT PROCEDURES WERE NOT FULLY COMPLIED WITH.

Directorate	Supplier	Payment 2010	Complied with Proper Public Procurement Procedures	No competitive Process	Plant & Machinery Hire Annual Contracts 2009	No evidence of procurement presented at Audit	No Advertising (2 to 4 quotations)	Housing Maintenance Contracts	Advised locally
All Directorates		170,661.04	No	170,661.04					
All Directorates		38,363.21	No	38,363.21					
Subtotals		209,024.25	No	209,024.25					
Director of Environmental Services & Planning									
		183,030.00	No	183,030.00					
		181,322.58	No				181,322.58		
		103,106.55	No	103,106.55					
		53,814.32	No				53,814.32		
		57,233.00	No	57,233.00					
		137,638.48	No	137,638.48					
		102,268.43	No				102,268.43		
		54,453.45	No		54,453.45				
		59,598.87	No	59,598.87					
		60,766.15	No	60,766.15					
		61,516.40	No	61,516.40					
		29,150.90	No				29,150.90		
		53,930.27	No	53,930.27					
		73,813.05	No				73,813.05		
		34,948.91	No		34,948.91				
		113,330.03	No		113,330.03				
		53,985.17	No		53,985.17				
		47,634.38	No	47,634.38					
		132,714.64	No				132,714.64		
Subtotals		1,594,255.58	No	764,454.10	221,768.65	34,948.91	573,083.92		
Director of Corporate Affairs & Transportation & HR									
		100,444.79	No	100,444.79					
		153,225.00	No			153,225.00			
		104,396.31	No	104,396.31					
		69,214.43	No						69,214.43
		125,021.70	No			125,021.70			
		58,702.50	No	58,702.50					
		76,562.56	No		76,562.56				
		16,161.30	No				16,161.30		
		24,048.97	No			24,048.97			
		53,778.63	No			53,778.63			
		52,079.48	No			52,079.48			
		61,406.21	No	61,406.21					
		59,214.26	No			59,214.26			
		201,273.89	No	201,273.89					
Subtotals		1,155,530.03	No	526,223.70	76,562.56	467,368.04	16,161.30		69,214.43
Director of Housing, Community & Enterprise & Culture									
		160,742.74	No					160,742.74	
		104,598.53	No	104,598.53					
		122,393.95	No			122,393.95			
		134,445.58	No					134,445.58	
		111,707.54	No					111,707.54	
		102,913.18	No					102,913.18	
		52,855.07	No					52,855.07	
		73,586.59	No					73,586.59	
		51,303.72	No	51,303.72					
		61,760.58	No	61,760.58					
		65,589.13	No	65,589.13					
		72,809.23	No			72,809.23			
Subtotals		1,114,705.84	No	283,251.96		195,203.18	126,441.66	509,809.04	

